

# AMAX Magnesium headed for profitability, sales manager says

By a PAY DIRT Staff Reporter

After three years of expansion, reorganization and promotion, the Magnesium Division of AMAX Metals is headed for a profitable year in 1984.

That was one of many key points taken by the division's national sales manager to company employees at its Rowley plant on the western shores of the Great Salt Lake where magnesium is recovered from lake brine.

Tom Hipp spent two days in early November meeting with various groups of the nearly 700 workers at the Rowley plant as part of a five-part program designed to inform each employee about AMAX Magnesium's markets and to provide an awareness of the end uses for its products.

AMAX Inc. bought the Rowley plant and related magnesium facilities in November 1980 from NL Industries Inc., which had been unable to establish a profitable operation despite a large plant expansion. Magnesium chloride is extracted from lake brine and processed into magnesium ingots that are shipped to customers around the world.

The Rowley plant is the second largest magnesium producer in the U.S. and the third largest in the Free World. AMAX plans to further increase production as demand grows.

In 1982, the first full year of AMAX ownership, the Magnesium Division, with 720 employees, produced and sold 20,435 tons of magnesium. The total grew as the company got the extraction plant lined out.

This year, with 673 employees, the division expects to produce and market 35,000 tons of magnesium.

During the past two years, the Magnesium Division has lost money, Hipp said. But he predicted that with greater production and higher productivity, the division will turn the corner next year while producing and selling 38,000 tons of magnesium.

The national sales manager says AMAX Magnesium has introduced some innovative employee programs that account for a major part of the increases in productivity.

The programs include: supervisory training, to increase management skills at all levels; targeted employee action methods

program (quality circles) whereby groups of employees select and solve various work-related problems; a career development program and an employee communications network in the form of an in-house newspaper called the "Magnezette."

The newest phase of these employee programs, called Employee-Customer Awareness, is designed to inform each employee about AMAX Magnesium's markets and to provide an awareness of the end uses for the products.

AMAX officials say these programs are improving operations, increasing productivity, solving problems and improving esprit de corps.

The first round in early November reviewed magnesium markets in the aluminum industry. Subsequent sessions will include structural and die casting, metal reduction and chemical and ferro alloy.

Hipp said AMAX sells magnesium to such well-known aluminum companies as Alcoa, Reynolds, Alumax, Alcan and National Southwire.

He said that magnesium is used as hardener for all aluminum alloys and is critical in manufacturing beverage cans. Magnesium adds strength and workability to aluminum, making it possible to fabricate containers that are rigid enough to be stacked and thin enough to allow rapid chilling of the contents.

Hipp also said magnesium is finding increased usage in the automotive industry because of its lightness.

## CO2 discovery made in southern Utah

A PAY DIRT News Summary

Texas oil interests claim they have made what they expect will prove to be one of the major discoveries of carbon dioxide gas in the United States in the Dixie National Forest of south-central Utah.

Testing on a well completed in late September by Mid-Continent Oil Company some 32 miles north of Escalante indicated a potential unrestricted production rate of 124.3 million cubic feet per day, according to news reports.

John Slawter, president of Pacific International Production of Dallas, the parent company, says full production is probably three to five years in the future.

Once considered valueless except for limited applications for industrial purposes, carbon dioxide gas is now being rapidly developed for a new, large market — injection into oil structures to greatly extend the productive lives of many fields.

Many carbon dioxide wells are being drilled in the Four Corners area and pipelines are being laid to aging oil fields in west Texas. Because of its interaction with oil in the ground, carbon dioxide is superior to water for injection because it results in greater oil recovery.

Slawter seems confident of a market for gas from the new field north of Escalante, where additional work will be done next spring. The discovery well is located at an elevation of about 9,000 feet and work has essentially ceased for the winter.

Considerable work and test drilling has

been done in the area for more than 20 years by several firms, including Phillips Petroleum and Atlantic Richfield. These companies were looking for natural gas, but turned their attention to the potential for carbon dioxide when it was first encountered in 1961.

Orlyn Terry, independent consulting geologist to Mid-Continent Oil, said that he has been working on the Escalante project for more than 10 years through a series of owner changes and has never lost faith that enormous potential existed for the field.

Terry said the oil firm is drafting plans for two additional wells, scheduled for drilling next summer.

He said drilling of the discovery well began September 11th and was completed by September 28th at a depth of 3,443 feet.

Terry said drillers first encountered the gas in the Shinarump formation at 1,300 feet and continued drilling through the Timpoweap, Toroweap and Coconino formations, stopping in the top of the Cedar Mesa.

Pointing to the costs involved, Slawter emphasized the need to be certain of the actual potential of the field. The two wells proposed for next summer could confirm the field. If they do, the company hopes to obtain important contracts in California. It indicated these would require production of about 740 million cubic feet per day.

Development of the field and construction of plants and pipelines could have a major economic effect on the rural and sparsely populated area.

## Of Mines And Men

Tosco Corporation, the Los Angeles-based oil refiner and marketer, announced in late November the restructuring of \$754 million in debts that ultimately could give its banks ownership of about 45 percent of its stock.

Tosco was a partner with Exxon Corporation in the now-defunct Colony oil shale project on the Western Slope of Colorado. Although Exxon paid it several hundred million dollars when the project was folded, Tosco was not able to bring its debt load under control.

Under the agreement, repayment of \$605 million of bank debt due January 1, 1985 will be stretched out to later years, while the remaining \$149 million will be converted to preferred stock after certain conditions are met.

Roy K. Wheelock, president of St. Joe Minerals Corporation's international operations, was named to the new post of president and chief operating officer of St. Joe.

St. Joe is a unit of Fluor Corporation.